SMALL BUSINESS SUBCONTRACTING PLANS
The Good, The Bad, and The…

Presented to:

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NAVAIR

Individual Subcontracting Plans

- Mandatory Plan Elements:
  - FAR 19.704(a) Subcontracting Plan Requirements
  - DFARS 219-704 Subcontracting Plan Requirements

  - Clauses:
  - FAR 52.219-9 DEVIATION Small Business Subcontracting Plan
    - Clas Deviation 2008-O0008 mandates hardcopy reporting for BAAs and BOA orders
  - DFARS 252.219-7003 Small Business Subcontracting Plan (DoD Contracts)
  - DFARS 252.219-7004 only used for Comprehensive Subcontracting Plan contracts

- Guidance on what we look for when reviewing Plans (FAR 19.705-4)

- Remember to submit the Plan with your proposal – it can take several weeks to review and must become part of the contract

One Contract – One Plan

- FAR 19.705-2(e)
- Contracts
  - Plan must include entire anticipated scope
  - Must have separate sections for basic and each option, summed up to a total for the contract
  - Contract modifications which increase scope require Individual Subcontracting Plan (ISP) modifications

    Recommend showing current goals, new proposed goals for the modification, and new ISP total

For Example:

	CURRENT PLAN		ECP XYZ			
Large	6500000	65.0%	150000	66.7%		
Small	3500000	35.0%	75000	33.3%		
Total	10000000		225000		10225000	
SDB	500000	5.0%	100000	44.4%	600000	
WOSB	500000	5.0%	50000	22.2%	550000	
HUBZone	300000	3.0%	50000	22.2%	350000	
VOSB	400000	4.0%	25000	11.1%	425000	
SDVOSB	300000	3.0%	25000	11.1%	325000	3.2%
HBCU/MI	50000	0.5%	0	0.0%	50000	0.5%

One Contract – One Plan (cont.)

- BOAs

  -Each order is a contract which requires a separate ISP (unless covered by a Comprehensive Subcontracting Plan)

  -Ensure order number (i.e. N00019-10-G-0001-0033) is on the title page of the ISP to uniquely identify the scope of the Plan

  - Listing goals for each order in an appendix doesn't constitute a stand-alone ISP; feasibility of a Master Subcontracting Plan?

Goals
(52.219-9(d)(1) and (2))

- Check the math!
  - Many times the percentages aren't calculated properly
  - Ensure the spreadsheet has correct equations
  - Targets are calculated as a percentage of total subcontracted value
- Acknowledge the DoD Subcontracting goals
- Provide rationale to support goals
  - Why opportunities are limited
  - Why additional in-house work can't be broken out for new SB suppliers
  - Why alternative SB suppliers can't be developed
  - Provide summary/comparison with prior contracts' SB goals vs actuals for similar work
  - Identify steps you're taking to remove barriers to SB subcontracting
  - -Explain it to someone who is NOT familiar with what you're providing/manufacturing
    - DCMA, Small Business Administration PCR, NAVAIR OSBP
  - Be SPECIFIC – specific to the contract and its deliverables
    - Boilerplate language is NOT desirable in ISPs
    - What are the characteristics that make scope elements unsuitable for SBs?

Goal Justification

- Inadequate Rationale Examples:
  - “Using only established suppliers”
  - “Unable to find SBs”
  - "We haven't identified the suppliers yet"
- Better Rationale Encompasses:
  - Schedule impacts that couldn’t have been mitigated by planning for follow-on contracts
  - Data rights
  - Unique technologies
  - Low SB participation in the NAICS codes being subcontracted for and the market research to support this claim
  - Competition results
  - Long term agreements
  - Small businesses grown large
  - Certifications required from suppliers, what the certifications are and how specialized they are
  - Government requirements in the contract (we will verify the assertion)

Goal Justification cont.

- Put your explanations & justifications in the Plan
  - Often a cover letter or a response to questions from NAVAIR Contracts yields a clear explanation to support goals. This needs to go into the Plan from the outset

- Zeros indicate no goal being established
  - No attempt will be made to find SBs

  - This is especially problematic – rationale must be very strong to show absolutely no opportunities exist for SBs within the entire scope of the contract

  - Goals need to be realistic, but still provide maximum opportunity; zero is the absence of an opportunity

Low goals can be acceptable – provided the supporting rationale is included

Poor Goal Justification Examples

- "[we have] not subcontracted with diverse suppliers for this effort because the developmental requirements for this effort have unique sourcing requirements and are limited to OEM large business suppliers."
  - What are the "unique sourcing requirements"?
  - Why are the requirements "limited to OEM"?
- "[this is an] opportunity to add revised work content to our existing supply base being utilized on the [XYZ] Program."
  - Why no efforts to identify SB suppliers?
  - What is it about the work content that prevents alternate suppliers?
  - Would there be potential suppliers for the future if pursued now?
- "…this is non-recurring development of a new system; thus, precludes using small businesses"
  - Initial developments of new systems often lay groundwork for future supply base; why can't opportunities for SBs be aggressively pursued in this phase?
  - Are there plans to offload efforts in later phases (via drawing packages, etc)
- "…based on the nature of the SOW"
  - What is it about the nature of the SOW that makes it unsuitable?
- "…life-of-type buy from OEM to resolve parts obsolescence issues"

A Better Example (Yes, it's Real!)

- This effort only involves performing the Non-Recurring Engineering for the XYZ which will result in delivery of an ECP to the Government that will be used for the next contractual phase, the forward fit and retrofit of the aircraft. The government directed us to pursue a non-developmental item (NDI) approach for the XYZ.
- The follow on contract will involve incorporating a NDI, which may very well result in selecting a small business to provide the XYZ.
- Due to the NRE nature of this modification, no other subcontract opportunities exist for labor support.
- However this contract modification does involve $100,000 of material. Only a small portion of the material dollars has small business involvement. The majority of the material costs for this effort involve characterization testing which involves conducting the critical environmental and electromagnetic testing of the XYZ. We have selected the same testing facility to perform these tests as we have on previous modifications in the past. The continuity of using the same testing facilities and procedures is very important to the successful selection of the XYZ vendor for the next contractual phase. The testing alone represents over 90% of the total material dollars. Another 9% of the total material dollars consists of XYZ instrumentation and some of the hardware that is needed from the existing version of the XYZ in order to conduct comparative testing.
- T
  subcontract level.

Less isn't more – let us know what you're really doing

Principal Supplies & Services
(52.219-9(d)(3))

- List ALL subcontracted supplies/services
  - Include large businesses as well as small businesses
  - Recommend providing NAICS codes
  - This gives us an opportunity to see what kinds of work scope, supplies & services are being reserved for large businesses

Efforts To Find Small Businesses
(52.219-9(d)(5))

- **Document**:
  - Conferences
  - Websites (more than CCR!)
    - VetBiz Vendor Information pages, NAVAIR OSBP website "Find an Industry Partner", other companies' Small Business Liaison Officers, etc.
  - Include Small Business Innovation Research (SBIR) & Small Business Technology Transfer (STTR) efforts
  - Include Mentor-Protégé efforts
  - Identify targeted efforts to raise SB participation in socio-economic categories where it's lower than desired

- **Note also that websites and sources of information change over time: If you use one Plan as a starting point for another Plan, ensure sources are up-to-date**
  - For example: CCR Dynamic Small Business search, not "ProNet"

Cooperation
(52.219-9(d)(10))

- Flow down of Subcontracting Plan clauses over $650K for manufacturing (not $500K…and as of 10/1/10, not $550K!!)
- Reporting via eSRS (not SF294s and SF295s – unless BOA orders)

Things Being Done Well

- Method used to develop goals (52.219-9(d)(4))
- Inclusion/exclusion of indirect costs (52.219-9(d)(6)) is almost always noted, however…
  - If indirect costs are included, ISP needs to identify method whereby indirect costs are allocated among SB socio-economic categories
- Identification / duties of SB administrator (52.219-9(d)(7))
- Efforts to ensure SBs have an equitable opportunity to compete (52.219-9(d)(8))
  - If applicable, list set-aside competitive efforts, special terms & conditions to put SBs on an even playing field, 52.219-9(e)(1), etc.
- Recordkeeping (52.219-9(d)(11))